



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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March 8, 2013

Mary Nichols, Chairman
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Re: Allocation of Cap-and-Trade Proceeds for Bioenergy, Water and Wastewater Treatment Facilities

Dear Chairman Nichols:

Inland Empire Utilities Agency (IEUA) appreciates the opportunity to review and comment on the Draft Concept Paper for the Cap-and-Trade Auction Proceeds Investment Plan (Plan). A well developed and balanced Plan is critical to ensure that Cap-and-Trade proceeds are appropriately invested into bioenergy development, particularly into the water and wastewater treatment sector.

IEUA is a wholesale water, recycled water and wastewater service provider for approximately 850,000 people in southwestern San Bernardino County. Methane gas (biogas) is a byproduct of the wastewater treatment process when anaerobic digestion is used to treat wastewater sludge. Biogas is a valuable, renewable resource and a clean alternative fuel for power generation. However, because of increasingly stringent air quality emission standards, effective use biogas for energy production has become less cost effective than purchasing power from the local investor-owned utility. The Cap-and-Trade proceeds could be used to effectively offset the expensive costs of biogas cleaning and the implementation of low emission, energy production technologies. Reduced biogas cleaning costs or economic support of the development of technologies such as biogas fuel cells, micro-turbines and low emission internal combustion engines would increase State wide renewable energy production, assist in meeting Renewable Portfolio Standards and reduce biogas flaring/greenhouse gas emissions.

In addition to using biogas as an alternative fuel, water and wastewater agencies also have the unique opportunity to significantly reduce energy usage (thus reduced greenhouse gas emissions) through the implementation of water conservation, recycled water production/delivery and groundwater recharge programs. Recycled water and groundwater recharge offer a clean, safe and drought-proof source of water. Recycled water can be used for a variety of non-potable purposes, such as landscape irrigation, agricultural irrigation, construction, industrial cooling, and replenishing groundwater basins. Approximately 20-percent of the State's electricity is consumed during the moving, purification, delivery and disposal of

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water. Because much of this energy is used to transport water long distances, utilizing recycled water has proven to be a valuable energy conservation and greenhouse gas reduction method. Funding mechanisms that assist local water and wastewater agencies to augment conservation efforts and expand local reuse programs will provide immediate and lasting economic and environmental impacts to the State and environmental justice communities.

Because of the unique benefits of bioenergy and recycled water, IEUA recommends that the California Air Resources Board invest Cap-and-Trade proceeds to:

1. Expand the development of energy from municipal solid waste and wastewater treatment facilities, including investments in new, low emission technologies that meet the South Coast AQMD's Rule 1110.2 so that facilities are not driven to flare this valuable biogas resource.
2. Support and finance conservation, recycled water and groundwater recharge projects that provide measurable energy savings and greenhouse gas reductions.
3. Produce low carbon fuels from wastewater treatment facilities, landfills and other urban organic waste sources that directly benefit environmental justice communities by reducing fossil fuel use.

We appreciate your consideration in the review and implementation of this program. If you have any questions or comments, please contact me at 909-993-1730.

Sincerely,



Joe Grindstaff
Interim General Manager

cc: Cliff Rechtschaffen, Senior Advisor to Governor Brown
Ana Matosantos, Director, Department of Finance
Matt Rodriquez, Secretary, California Environmental Protection Agency
Karen Ross, Secretary, California Department of Food and Agriculture
Ken Pimlott, Director, CalFire
Scott Smithline, Deputy Director, CalRecycle